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## Most-Favored-Nation Status of the People's Republic of China

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**Most-Favored-Nation Status of the People's Republic of China****SUMMARY**

The Tiananmen Square massacre of June 4, 1989, and the repressive policies and violations of human rights by the Chinese Government that followed it, have led to the imposition by the United States of some economic and other sanctions against China and to consideration of additional sanctions, among them the withdrawal of China's most-favored-nation (MFN), or nondiscriminatory, status in trade with the United States. MFN status was granted to China in 1980 conditionally under the Jackson-Vanik freedom-of-emigration amendment of the Trade Act of 1974 and must be renewed annually. The lapse or withdrawal of the MFN status would result principally in the imposition of substantially higher U.S. customs duties on over 90% of U.S. imports from China (totaling \$18,855.0 million in 1991) and a likely cutback in such imports as well as possible retaliatory reduction by China of its imports from the United States. There is also likely to result a significant economic disadvantage for Hong Kong.

In the 102d Congress, the disapproval of the President's mid-1991 recommendation, in effect, that China's MFN status be renewed for another year, having passed the House, was indefinitely postponed in the Senate. Of the other measures, introduced specifically to terminate China's MFN status or subject it to additional conditions, only a bill subjecting China's MFN status to additional conditions was passed by both Houses, but vetoed by the President and the veto was upheld by the Senate. Legislation has also been introduced to disapprove the President's mid-1992 recommendation for a one-year extension of China's MFN status, and to subject the mid-1993 renewal of China's MFN status to additional conditions; conditions, however, would apply only to renewal of MFN treatment of products of Chinese state-owned entities.

## **ISSUE DEFINITION**

The withdrawal of or restrictions on China's MFN status have been repeatedly proposed as a sanction against that country in response to its repressive domestic actions since mid-1989 and activities inconsistent with the U.S. foreign policy. Various measures to achieve this purpose were introduced in the 101st Congress by both Houses but not enacted. The 102d Congress has thus far considered and approved one such measure, which was vetoed by the President and the veto was upheld by the Senate. Measures have recently been introduced to disapprove the President's mid-1992 recommendation for a one-year extension of China's MFN status, and to subject the mid-1993 renewal of China's MFN status to additional conditions; conditions, however, would apply only to renewal of MFN treatment of products of Chinese state-owned entities.

## **BACKGROUND AND ANALYSIS**

### **Most-Favored-Nation Status and its Application by the United States**

Although the international trade expression "most-favored-nation" (MFN) status (or treatment) on its face suggests a country with special privileges, it means in reality a country that is treated in a nondiscriminatory way. The usage of the expression "most favored nation" in the meaning of "nondiscriminatory" has its origin in the wording of various provisions included in international agreements whereby the signatories agree to accord, in the matter covered by those provisions, to each other treatment that is no less favorable than their treatment of any other country that is the most favored in this respect. Hence, all countries accorded "most-favored-nation" treatment are treated alike.

A descriptive definition of MFN treatment, a key rule of international trade, with the obligation to apply it to each other, has been established for the signatories of the General Agreement on Tariffs and Trade (GATT) by its Article I, as follows:

With respect to customs duties and charges of any kind imposed on or in connection with importation or exportation or imposed on the international transfer of payments for imports or exports, and ... the method of levying such duties and charges, and ... all rules and formalities in connection with importation and exportation, and ... all matters [of internal taxation and regulation of the domestic market], any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country shall be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties.

In practice, the principal benefit a country gains from being accorded the MFN status by another country is that the latter's imports from the former are dutied at concessionary rather than full rates. In a country like the United States, whose concessionary duty rates have been greatly reduced from their full levels, the extension

of the MFN treatment to another country can mean a significantly lower cost -- and, hence, greater competitiveness -- of imports from that country.

In addition to its obligation as a GATT signatory -- which, however, does not extend to China, a nonmember of the GATT -- the United States has been applying the policy of unconditional and unlimited MFN treatment to its trading partners also on the basis of its own legislation, first enacted in 1934 and now contained in section 126 of the Trade Act of 1974 (19 U.S.C. 2136).

In a break with this longstanding U.S. policy, however, the Congress in mid-1951 enacted a law requiring the President to suspend MFN status of all countries of the then Sino-Soviet bloc, including China and Tibet, with some possibility of discretionary restoration. The Trade Expansion Act of 1962 subsequently made such restoration possible only by the enactment of specific legislation.

### **Conditional Restoration of the MFN Status to "Nonmarket Economy" Countries**

The policy of denying MFN status to Communist countries altogether was changed by the Trade Act of 1974. This Act authorizes the restoration of MFN status to a "nonmarket economy" (NME) country if the country (1) is in compliance with the requirements of the Act's freedom-of-emigration ("Jackson-Vanik") amendment, i.e., is not engaged in emigration-restricting practices (such as denying its citizens the right to emigrate, imposing a more than nominal tax on emigration or documents required for emigration, or imposing a more than nominal charge on any citizen desiring to emigrate); and (2) has concluded with the United States a bilateral trade agreement containing, among other provisions, a reciprocal grant of the MFN status.

The amendment authorizes the President to restore and maintain in force such country's MFN status if he reports to Congress initially and, then, semiannually (mid-year and end of year) that the country is not in violation of the *freedom-of-emigration* provision and the initial or year-end report is not disapproved by the enactment of a joint resolution of disapproval, in accordance with the procedure provided for by sec. 152 of the Trade Act of 1974, as amended. Although enacted, this disapproval procedure is specifically declared as an exercise in the rulemaking power of either House and may be modified or waived at any time by either House (with respect to its own procedures) in the same manner as any other rule.

Alternatively, the President may waive full compliance with the Jackson-Vanik freedom-of-emigration requirement with respect to any country if he has the authority to do so and if he finds that the waiver will substantially promote the objectives of the requirement and has received assurances that the emigration practices of the country will lead substantially to the achievement of these objectives. The waiver authority, and any waivers granted under it, lapse each year on July 3, but are automatically renewed upon the President's recommendation, unless disapproved either generally or with respect to specific countries by the enactment, under a specific fast-track procedure, of a joint resolution (originally, a one-House resolution) within 60 days after its annual renewal date (i.e., by August 31). Presidential veto of the resolution must be overridden by August 31 or within 15 days (excluding any Saturday and Sunday either House is not in session, and any days either House is not in session because of

an adjournment sine die or of more than 3 days to a day certain) of the receipt of the veto message, whichever is later. If such a resolution is enacted, the waiver authority and/or any waiver (as specified in the resolution), and MFN status based on it cease to be effective on the 61st day after the date of its enactment.

The *bilateral trade agreement* that must be concluded with the country in question also must be approved, on the U.S. side, by a joint (originally, concurrent) resolution of Congress, enacted by a fast-track procedure, before MFN status can be restored to a NME country by Presidential proclamation. Section 405(b) of the Trade Act requires that the agreement contain, in addition to a reciprocal grant of MFN status, provisions authorizing its suspension for national security reasons, safeguarding domestic markets from trade disruption, protecting patent and trademark rights and copyrights, arranging for settlement of disputes, and for consultation. (Recent trade agreements of this type have generally been even more comprehensive.) The agreement remains in force for 3 years, and is renewable under its own terms and without requiring congressional approval for additional 3-year periods if a satisfactory balance of concessions has been maintained during the life of the agreement and the President determines that there has been a satisfactory reciprocation of concessions. Thus, MFN status restored to a country under the Jackson-Vanik amendment can remain in force as long as both the requirements of the amendment (full compliance, or the waiver provision) are satisfied and the trade agreement remains in force.

### **China's MFN Status**

In accordance with the statutory procedure for the restoration of the MFN status, the President, on Oct. 23, 1979, transmitted to Congress the trade agreement with China, signed on July 7, 1979, its proclamation, and the executive order extending to China the Jackson-Vanik waiver (H. Doc. 96-209). The agreement was approved by Congress on Jan. 24, 1980 (H. Con. Res. 204, 96th Congress) and entered into force (together with the reciprocal grant of the MFN status which it contains in addition to all other provisions required by section 405(b) of the Trade Act of 1974) on Feb. 1, 1980.

The trade agreement with China has been renewed four times, most recently as of Feb. 1, 1992, through Jan. 31, 1995 (Presidential Determination No. 92-12 of Jan. 31, 1992, 57 F.R. 19077), and the Jackson-Vanik waiver authority and waiver with respect to China have been extended annually. Resolutions to disapprove the extension of the waiver authority with respect to China, introduced on two earlier occasions, were not enacted. In 1990 (101st Congress, 2d session), 22 various measures were introduced to terminate or restrict China's MFN status. Although two of them were passed by the House, they did not reach the Senate floor before adjournment and no adverse action was taken with respect to China's MFN status. Similar, if fewer, measures have been introduced and some of them considered but not enacted in the 102d Congress (see next section).

### **Withdrawing or Restricting China's MFN Status**

MFN status can be withdrawn from China in several ways: (1) by appropriate direct legislation enacted through regular legislative process; (2) by using the specific

means provided in the Trade Act of 1974 for denying MFN status to a country that had obtained it under the Jackson-Vanik amendment, i.e., by the fast-track enactment of a joint resolution disapproving the extension of the Jackson-Vanik waiver authority with respect to that country at the time of its mandatory annual renewal, or (3) by the President's failure to recommend such extension with respect to a country in the first place (e.g., for noncompliance with the Jackson-Vanik requirements). China also can lose its MFN status if the requirements for the automatic 3-year extension of the U.S.-China trade agreement have not been met.

Joint resolutions introduced, after the President recommended on May 29, 1991, that his waiver authority for China be extended for another year, to disapprove the extension (H.J.Res. 262 and S.J.Res. 153) were indefinitely postponed in the Senate, thus, in effect, allowing the Jackson-Vanik waiver authority and the waiver with respect to China as well as China's MFN status to remain in force through July 2, 1992. On June 3, 1992, the President again recommended to the Congress a one-year extension of his Jackson-Vanik waiver authority (H.Doc. 102-339). H.J.Res. 502, to be considered under the specific fast-track procedure, was introduced on June 5, 1992, to disapprove the renewal of MFN status for China.

Outside this specific procedure to withdraw China's MFN status, any type of adverse action with respect to China's MFN status (withdrawal, imposition of restrictive conditions) can be taken at any time through enactment, under regular legislative procedure, of any measure introduced with such intent, such as bills denying outright MFN treatment to China (H.R. 2188 and 2381, and S. 38 and 1167) or subjecting its continuation in force to additional conditions, mostly in the field of human rights (H.R. 2212, 2468, 2759 and 2792, S. 1020, 1084, 1367, and 1469). Of these, H.R. 2212 was passed by both Houses (while a similar bill S. 1367 was postponed indefinitely), but vetoed by the President. The veto was overridden by the House but upheld by the Senate. After the President's mid-1992 recommendation for a one-year extension of China's MFN status, H.R. 5318 and S. 2808 were introduced to subject the mid-1993 renewal of China's MFN status to additional conditions; conditions, however, would apply only to renewal of MFN treatment of products of Chinese state-owned entities.

While only one hearing has been held in the 102d Congress on any of the measures designed to revoke or limit China's MFN status (by the Senate Finance Committee on the disapproval of the mid-1991 renewal of China's MFN status), the related topic of slave labor in China and exports of its products to the United States was explored by the House Foreign Affairs Committee's Subcommittees on International Economic Policy and Trade, and on Human Rights and International Organizations; by the Oversight and Investigations Subcommittee of the House Merchant Marine and Fisheries Committee; and by the Senate Foreign Relations Committee's Subcommittee on East Asian and Pacific Affairs. A hearing relevant to China's MFN status also was held by the House Foreign Affairs Committee in connection with H.Con.Res. 174 (see **Legislation**).

Termination of China's MFN status would have to be effected within the context of the relevant provisions of the U.S.-China trade agreement if the United States wishes to avoid international legal remedies that may be available to China. Two such provisions address specifically the discontinuance of the agreement or of any of its provisions. In its automatic 3-year extension provision (Article X.2), the agreement also

allows for its termination if either party to it "notifies the other of its intent to terminate this Agreement at least thirty (30) days before the end of a term."

The agreement also provides (in Article X.3) that "if either Contracting Party does not have domestic legal authority to carry out its obligations under this Agreement, either Contracting Party may suspend application of this Agreement, or, with the agreement of the other Contracting Party, any part of this Agreement." This provision appears to be applicable with respect to MFN treatment in the event that the waiver authority is withdrawn under the Jackson-Vanik amendment.

In addition, a more generally applicable provision (Article IX), which asserts "the right of either Contracting Party to take any action for the protection of its security interests," might conceivably -- if perhaps not plausibly -- be used to suspend the MFN treatment.

### Effects of Withdrawing China's MFN Status

Based on 1991 trade and tariff data, the termination of China's MFN status would result in duty increases on 92.7% of U.S. imports from China (\$17,471.1 million out of a total of \$18,855.0 million), the remaining imports being duty free under both MFN and full rates. The cost effect of the increases would vary among the various product groups, but would on the whole be substantial.

The following table illustrates how the withdrawal of the MFN status would affect the effective duty rates assessed on some major U.S. import items from China.

**Table 1. Illustrative MFN and Full Duty Rates Applicable to Imports from China**

	<u>MFN Rate</u>	<u>Full Rate</u>
Shellfish	Free	Free
Men's trousers, man-made fiber	29.7%	90%
Knit women's sweaters, vegetable fiber (exc. cotton)	5%	45%
Women's silk apparel	6.9%	65%
Artificial flowers, man-made fiber	9%	71.5%
Crude petroleum	0.25c/gal (=0.52%)	0.5c/gal (=1.04%)
Audio tape players	3.7%	35%
Hair dressing appliances	3.9%	35%
Luggage and handbags, textile fiber	20%	65%
Plastic handbags	20%	45%
Stuffed toys	Free	70%
Various other toys	6.8%	70%

In view of the overall substantial differences between the concessionary (MFN) and full rates of duty, it is clear that the termination of China's MFN status would result in a substantial increase in the cost of imports from China. A White House fact sheet, published in 1990 and based on 1989 data, estimated that imports from China would become subject to an average duty rate of about 60% and their average entered cost

would increase by an average of 40%. Duty increases would be high on low-margin consumer goods (shoes, clothing, electronic products, toys) of which China is a significant supplier and, if not replaced by other low cost sources, would be felt disproportionately by low-income U.S. consumers.

Such price increases would also tend to reduce significantly the U.S. demand for such imports from China. The size of this reduction and its adverse effect on China's economy would depend on a number of factors, but, in the opinion of several China trade experts, would be substantial (in the White House fact sheet, estimated as resulting in a drop of between \$3 billion and \$6 billion in China's annual inflow of foreign-exchange). It would be, it is claimed, particularly damaging to the economy of China's southern provinces (Fujian and Guangdong) that are most dependent on exports and where much of China's exports originate. Indirectly, it would also adversely affect Hong Kong and the economic benefits it derives from being the port of transit for about 70% of China's exports to the United States, and whose businessmen also have substantial manufacturing interests in the neighboring southern China.

Depending on whether and, in what way and to what extent China would retaliate against imports from the United States (by increasing its tariffs to non-MFN levels, or taking other import-restrictive measures), the annual loss of U.S. exports to China could be in the range of \$2 billion to \$3 billion (1/3 to 1/2 of the 1989 level), most likely affecting U.S. exports of grain, power generating machinery, aircraft, and fertilizer products.

## **LEGISLATION**

(Only measures that have undergone some congressional action, and recently introduced measures are included).

### **H.Con.Res. 174 (Solarz)**

Expresses the sense of Congress that China's actions undermining U.S. global interests and inconsistent with past cooperation between the two countries (e.g., transfer of missiles covered by the Missile Technology Control Regime or of unsafeguarded nuclear goods or technology) place in jeopardy China's MFN status; and urges China to take constructive steps to reduce tensions in regional military conflicts, and to cooperate with the United States in efforts to obtain information on MIAs in Korean and Vietnam conflicts. Introduced June 24, 1991; referred to Committees on Ways and Means; and Foreign Affairs. Hearing on renewal of China's MFN status held by Foreign Affairs Committee June 26, 1991. Reported by Ways and Means Committee and, with an amendment, by Foreign Affairs Committee (H.Rept. 102-142, pts. I and II) July 9, 1991; laid on the table in the House July 10, 1991 (similar provisions included in H.R. 2212, approved on the same day; see below).

### **H.J.Res. 263 (Solomon)/S.J.Res. 153 (Ford for Cranston)**

Disapproves the extension of the Jackson-Vanik amendment waiver authority with respect to China. H.J.Res 263 introduced May 30, 1991; referred to Committee on Ways and Means; reported without recommendation July 9, 1991 (H.Rept. 102-140); passed House (223-204) July 10, 1991. S.J.Res. 153 introduced June 3, 1991; referred to Committee on Finance; hearing on renewal of China's MFN status held by Finance Committee June 19-20, 1991; S.J.Res. 153 reported unfavorably (S.Rept 102-102) July

9, 1991. Both resolutions indefinitely postponed by the Senate by unanimous consent July 18, 1991.

**H.J.Res. 502 (Solomon)**

Disapproves the extension of the Jackson-Vanik amendment waiver authority with respect to China. Introduced June 5, 1992; referred to Committee on Ways and Means.

**H.R. 2212 (Pelosi)**

**United States-China Act of 1991.** (Prohibits the mid-1992 extension of the waiver authority for China unless certain conditions -- such as contained in H.R. 5318 and S. 2808, below -- are met.) Introduced May 2, 1991; referred to Committee on Ways and Means; reported favorably July 9, 1991 (H.Rept. 102-141); passed House 313-112 July 10, 1991; passed Senate amended (by replacing the House language of H.R. 2212 with that of S. 1367 as amended) 55-44 July 23, 1991; meanwhile, companion bill S. 1367 was introduced June 25, 1991; referred to Committee on Finance; reported without recommendation July 9, 1991 (S.Rept 102-101); amended and passed Senate, language inserted in H.R. 2212 in lieu of its House version, and S. 1367 indefinitely postponed, July 23, 1991; conference report on H.R. 2212 (H.Rept 102-392) filed and agreed to by the House Nov. 26, 1991 (409-21) and by the Senate Feb. 25, 1992 (59-39); vetoed Mar. 2, 1992 (H.Doc. 102-197); veto overridden by the House Mar. 11, 1992 (357-61) but upheld by the Senate Mar. 18, 1992 (60-38).

(Hearings on the related issue of slave labor in China and the exports of its products to the United States were held on July 17, 1991, by the Oversight and Investigations Subcommittee of the House Merchant Marine and Fisheries Committee; on Sept. 23 and Dec. 5, 1991, jointly by the House Foreign Affairs Committee's Subcommittees on International Economic Policy and Trade, and on Human Rights and International Organizations; and on Oct. 17, 1991, by the Senate Foreign Relations Committee's Subcommittee on East Asian and Pacific Affairs.)

**H.R. 5318 (Pease)**

**United States-China Act of 1992.** Contains 3 congressional findings. Prohibits the President from recommending the continuation of the Jackson-Vanik waiver [and, indirectly, MFN status] for China in 1993 unless he reports to Congress that China has accounted for citizens detained or accused in connection with the Tiananmen Square events of June 3, 1989, and released those imprisoned; has made significant progress in achieving the objectives in the areas of human rights, trade, and weapons proliferation: *human rights* - preventing gross violations of human rights in China and Tibet, preventing exports of forced-labor products and allowing U.S. and international officials to inspect places of detention suspected of such production, ending religious persecution in China and Tibet, removing restrictions on freedom of the press and VOA broadcasts in China and Tibet, terminating intimidation and harassment of Chinese citizens in the United States, ensuring access of international human rights monitoring groups to prisoners, trials, and jails, ensuring freedom from torture and inhuman prison conditions, ending bans on peaceful assembly, fulfilling its commitment to engage in high-level discussions on human right issues, and adhering to the 1984 joint U.K.-China declaration on Hong Kong China; *trade* - providing adequate protection to U.S. intellectual property rights, providing American exporters fair access to the Chinese market, and ceasing unfair or discriminatory trade practices against the United States; *weapons proliferation* - adhering to the controls and/or standards of the Missile Technology Control Regime, Nuclear Suppliers Group, and Australia Group on chemical

and biological arms proliferation, and taking clear steps in assuring that PRC does not and will not assist nonnuclear weapons countries in acquiring nuclear weapons explosive devices, their materials and components. If the President does not seek a continuation of the waiver for China, he is to undertake, within 30 days before the expiration of the existing waiver authority, efforts to ensure that GATT members take similar action [presumably, suspension of MFN treatment]. If the President recommends the extension of the waiver in 1993, his report must state the extent of China's having met these objectives, specifically with regard to four stated freedoms.

MFN treatment would continue to apply annually to articles made or exported by an entity that is not a state-owned organization (including qualified joint ventures), either if the President does not request waiver extension because the required standards have not been met, or if his request for waiver extension is disapproved by a prescribed joint resolution enacted under a fast-track procedure. The Secretary of the Treasury is to maintain a list of state-owned organizations; their definitions and those of certain non-state-owned organizations are provided as are procedures for changing the status of an entity on or off the list. If the President does not seek a continuation of the waiver for China, he is to undertake, within 30 days before the expiration of the existing waiver authority, efforts to ensure that GATT members take similar action with respect to China. Various key terms used in the bill are defined. Introduced June 3, 1992; referred jointly to Committees on Ways and Means, and Rules.

**S. 2808 (Mitchell)**

**United States-China Act of 1992.** Contains 9 congressional findings and 3 sense-of-the-Congress policy statements with respect to China's actions in the areas of human rights, weapons proliferation, and unfair trade practices, continued enforcement of existing sanctions against China, and adoption by U.S. private businesses of a code of conduct in their dealings with China. Prohibits the President from recommending the continuation of the Jackson-Vanik waiver [and, indirectly, MFN status] for China in 1993 unless he reports to Congress that China has begun adhering to the Universal Declaration of Human Rights and allowing unrestricted emigration; accounted for citizens detained or accused in connection with the Tiananmen Square events of June 3, 1989, and released those imprisoned; taken action to prevent exports of forced-labor products and agreed to allow U.S. and international officials to inspect places of detention suspected of such production; made significant progress in ending religious persecution in China and Tibet, ceasing unfair trade practices against U.S. businesses and providing them fair access to Chinese markets, and adhering to the guidelines and/or controls of the Missile Technology Control Regime, Nuclear Suppliers Group, and Australia Group on Chemical and Biological Arms. If the President recommends the extension of the waiver in 1993, his report must state the extent of China's compliance with these provisions.

MFN treatment would continue to apply annually to articles made or exported by an entity that is not a state-owned organization (including qualified joint ventures), either if the President does not request waiver extension because the required standards have not been met, or if his request for waiver extension is disapproved by a prescribed joint resolution enacted under a fast-track procedure. The Secretary of the Treasury is to maintain a list of state-owned organizations; their definitions and those of certain non-state-owned organizations are provided as are procedures for changing the status of an entity on or off the list. If the President does not seek a continuation of the waiver for China, he is to undertake, within 30 days before the expiration of the

existing waiver authority, efforts to ensure that GATT members take similar action. Various key terms used in the bill are defined. Introduced June 4, 1992; referred to Committee on Finance.

### CONGRESSIONAL HEARINGS, REPORTS, AND DOCUMENTS

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At head of title: 102d Congress, 1st session. House. Report 102-142, Pt. 2.

----- Renewal of MFN trading status for the People's Republic of China; hearing and markup ... on H.Con.Res. 174. 102d Congress, 1st session. June 26, 1991. Washington, U.S. Govt. Print. Off., 1991. 101 p.

U.S. Congress. House. Committee on Foreign Affairs. Subcommittees on Asian and Pacific Affairs and on International Economic Policy and Trade. United States political and economic policy toward China. Hearing, 101st Congress, 1st session. Dec. 13, 1989. Washington, U.S. Govt. Print. Off., 1990. 62 p.

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Serial No. 102-29.

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At head of title: 101st Congress, 2d session. House. Report 101-851.

U.S. Congress. House. Committee on Ways and Means. Additional objectives which the People's Republic of China must meet in order to qualify for nondiscriminatory treatment in 1992; report together with dissenting and additional views (to accompany H.R. 2212). Washington, U.S. Govt. Print. Off., July 9, 1991. 17 p.

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At head of title: 101st Congress, 2d session. House. Report 101-772.

----- Disapproving the extension of nondiscriminatory treatment of the People's Republic of China; report together with additional views to accompany H.J.Res. 263. Washington, U.S. Govt. Print. Off., July 9, 1991. 9 p.

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----- Extension of most-favored-nation treatment to China in 1991; report together with dissenting views (to accompany H.R. 4939). Washington, U.S. Govt. Print. Off., July 23, 1990. 12 p.

At head of title: 101st Congress, 2d session. House. Report 101-620.

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U.S. Congress. House. Committee on Ways and Means. Subcommittee on Trade. United States-People's Republic of China trade relations, including most-favored-nation trade status for China. Hearing, 102d Congress, 1st session. June 12, 1991. Washington, U.S. Govt. Print. Off., 1992. 304 p.

Serial No. 102-38.

U.S. Congress. Senate. Committee on Finance. China most-favored-nation status. Hearing, 102d Congress, 1st session. June 19-20, 1991. 201 p.

S. Hrg. 102-417.

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----- Extending to the People's Republic of China renewal of nondiscriminatory (most-favored-nation) treatment until 1992 provided certain conditions are met; report to accompany S. 1637. Washington, U.S. Govt. Print. Off., July 9, 1991. 5 p.

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S. Hrg. 101-605

U.S. President, 1977-1981 (Carter). Agreement on trade relations between the United States and the People's Republic of China; communication from the President of the United States... Washington, U.S. Govt. Print. Off., 1979. 11 p. (96th Congress, 1st session. House Document no. 96-209).

Communication dated Oct. 23, 1979.

(Contains the texts of the agreement, its proclamation, and waiver.)

U.S. President, 1989- (Bush). Continuation of the waiver in effect for the People's Republic of China; communication from the President of the United States... Washington, U.S. Govt. Print. Off., 1991. 7 p. (102d Congress, 1st session. House Document no. 102-92).

Communication dated May 29, 1991.

----- Veto of H.R. 2212; message from the President of the United States. Washington, U.S. Govt. Print. Office, 1992. 8 p. (102d Congress, 2d session. House Document no. 102-197.)

Message dated Mar. 2, 1992.

## CHRONOLOGY

**06/05/92** --- H.J.Res. 502 introduced to disapprove the extension of China's MFN status.

**06/04/92** --- S. 2808 introduced to terminate MFN treatment of products made by Chinese government-owned entities unless several standards are met.

**06/03/92** --- President Bush transmitted to Congress his recommendation for a 12-month extension of his Jackson-Vanik waiver authority and of the existing waiver for China (H. Doc. 102-339).  
--- H.R. 5318 introduced to terminate MFN treatment of products made by Chinese government-owned entities unless several standards are met.

**03/18/92** --- President's veto of H.R. 2212 upheld by the Senate (60-38).

**03/11/92** --- President's veto of H.R. 2212 overridden by the House (357-61).

**03/02/92** --- H.R. 2212 (United States-China Act of 1992) vetoed by the President (H. Doc. 102-197).

**02/25/92** --- Conference report on H.R. 2212 agreed to by the Senate (59-39).

**01/31/92** --- Trade agreement with China renewed for three years (through Jan. 31, 1995) (Presidential Determination 92-12; 57 FR 19077).

**12/05/91** --- Completion of hearing on Chinese forced-labor produced exports to the United States, begun on 9/23/91.

**11/26/91** --- Conference report on H.R. 2212 (H. Rept. 102-392) filed and agreed to by the House (409-21).

**10/17/91** --- Hearing on the related topic of slave labor in China was held by the Subcommittee on Asian and Pacific Affairs of the Senate Foreign Relations Committee.

**09/23/91** --- Hearing on the related topic of Chinese forced-labor produced exports to the United States was held jointly by the Subcommittees on International Economic Policy and Trade, and on Human Rights and International Organizations of the House Foreign Affairs Committee.

**07/23/91** --- Senate passed H.R. 2212 (setting additional conditions for extension of China's MFN treatment in 1992) on a yea-nay vote 55-44, replacing its language with that of S. 1367 as amended; S. 1367 indefinitely postponed.

**07/18/91** --- H.J.Res. 263 and S.J.Res. 153, disapproving the extension of China's MFN status, indefinitely postponed by the Senate by unanimous consent.

**07/17/91** --- Hearing on China's unfair trade practices, including export of forced labor-made goods, held by the Subcommittee on Oversight and Investigations of the House Merchant Marine and Fisheries Committee.

**07/11/91** --- S. 1469, setting additional conditions for extension of China's MFN treatment in 1992, introduced.

**07/10/91** --- H.J.Res. 263 passed by the House on a yea-nay vote 223-204.  
--- H.R. 2212 passed by the House on a yea nay-vote 313-112.  
--- H.Con.Res. 174 laid on the table in the House.

**07/09/91** --- H.J.Res. 263, disapproving the extension of China's MFN treatment, reported without recommendation (H.Rept. 102-140).  
--- S.J.Res. 153, disapproving the extension of China's MFN treatment, reported unfavorably (S.Rept. 102-102).  
--- H.R. 2212, setting additional conditions for extension of China's MFN treatment in 1992, reported favorably (H.Rept. 102-141).  
--- S. 1367, setting additional conditions for extension of China's MFN treatment in 1992, reported without recommendation (S.Rept. 102-101).  
--- H.Con.Res. 174, expressing the sense of Congress on issues relating to China's MFN status, reported (H.Rept 102-142, pts. I and II).

**06/26/91** --- H.R. 2792, setting additional conditions for extension of China's MFN treatment in 1992, introduced.  
--- House Foreign Affairs Committee held a hearing on the renewal of MFN trading status for China, in connection with H.Con.Res. 174.

**06/25/91** --- S. 1367, setting additional conditions for extension of China's MFN treatment in 1992, introduced.  
--- H.R. 2759, conditioning extension of China's MFN treatment in 1992 on absence of forced abortion or sterilization programs, introduced.

**06/24/91** --- H.Con.Res. 174 introduced, expressing the sense of Congress that China's actions undermining U.S. global interests and inconsistent with past cooperation between the two countries jeopardize China's MFN status,

and urging China to take specific measures to reduce tensions in regional military conflicts.

**06/12/91** --- Hearing on U.S.-China trade relations, including MFN status, held by the Subcommittee on Trade, House Ways and Means Committee.

**06/03/91** --- S.J.Res. 153 introduced, disapproving the extension of the President's Jackson-Vanik waiver authority with respect to China.

**05/30/91** --- H.J.Res. 263 introduced, disapproving the extension of the President's Jackson-Vanik waiver authority with respect to China.

**05/29/91** --- President Bush transmitted to Congress his recommendation for a 12-month extension of his Jackson-Vanik waiver authority and of the existing waiver for China (H. Doc. 102-92).

--- H.J.Res. 262 introduced, disapproving the extension of the President's Jackson-Vanik waiver authority with respect to China.

--- A joint hearing on China's MFN status was held by subcommittees on Asian and Pacific Affairs, Human Rights and International Organizations, and International Economic Policy and Trade of the House Foreign Affairs Committee.

**05/23/91** --- H.R. 2468 introduced, providing for additional conditions for extending China's MFN status.

--- S. 1167 introduced, providing for denial of MFN status to China.

**05/17/91** --- H.R. 2381 introduced, providing for denial of MFN status to China.

**05/16/91** --- S. 1084 (Support for Democracy, Human Rights, and Fair Trade in China Act of 1991) introduced, requiring termination of China's MFN status within 180 days after enactment and permitting its restoration only if China fulfills several human-rights, commercial and political conditions.

**05/09/91** --- S. 1020 introduced, allowing continuation in force of the Jackson-Vanik waiver for China only subject to additional human-rights and political conditions.

**05/02/91** --- H.R. 2212 introduced, allowing the extension of the Jackson-Vanik waiver for China in 1992 only if China fulfills several human-rights and other conditions.

**05/01/91** --- H.R. 2188 introduced, providing for denial of MFN status to China.

**01/14/91** --- S. 38 introduced, providing for denial of MFN status to China.

**02/01/80** --- Trade agreement between the United States and China, containing a reciprocal grant of the most-favored-nation treatment, entered into force.

**01/24/80** --- H.Con.Res. 204, approving the extension of the MFN treatment to China, passed by rollcall votes in both Houses.

**10/23/79** --- President transmitted to Congress a message (H. Doc. 96-209) containing the texts of the trade agreement with China, its proclamation, and an executive order containing the Jackson-Vanik waiver with respect to China.

**07/07/79** --- Trade agreement with China signed in Beijing.

**01/03/75** --- Trade Act of 1974, containing provisions (Title IV) for the restoration of the MFN status to "nonmarket economy" countries, subject to the conditions of the Jackson-Vanik "freedom of emigration" amendment, enacted.

**09/01/51** --- President Truman's proclamation of Aug. 1, 1951, implementing sec. 5 of the Trade Agreements Extension Act of 1951 requiring suspension of the MFN status of all then existing Communist countries except Yugoslavia, became effective for China. After China's invasion, Tibet's MFN status was suspended effective July 14, 1952.

### **FOR ADDITIONAL READING**

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U.S. Library of Congress. Law Library. Freedom of emigration of Chinese citizens under Chinese law and new policy and provisions for overseas study, by Tao-tai Hsia, and Wendy Zeldin. [Washington]. Updated May 18, 1990.  
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----- Justice and human rights in China: Criminal trials of the leading 1989 pro-democracy activists, by Tao-tai Hsia, and Wendy I. Zeldin. [Washington], Feb. 1991.  
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[White House] Fact sheet on continuation of MFN for China [and other related documents]. In Remarks of Robert Dole. Congressional record, v. 136, [daily edition], May 24, 1990, p. S6946-S6949.